

## Message Text

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ORIGIN EUR-25

INFO OCT-01 ISO-00 IO-14 L-03 SP-03 AID-20 EB-11 NSC-07

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

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DRAFTED BY EUR/EE:RACHRISTENSEN:EB/OMA:NRIEGG:MD

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EB/ODF:CKSTOCKER (DRAFT)

EB/OMA:JKRIZAY (DRAFT)

TREASURY:BZINMAN

----- 112958

P 102051Z MAY 74

FM SECSTATE WASHDC

TO AMEMBASSY BUCHAREST PRIORITY

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E.O. 11652: N/A

TAGS: EFIN, RO

SUBJECT: PROPOSED WOODS-BITULEANU MEETING AND IBRD  
LOAN

REF: (A) STATE 087906; (B) BUCHAREST 1705

1. WE URGENTLY NEED REPLY TO STATE 087906.
  2. IBRD HAS UNDER VARIOUS PHASES OF CONSIDERATION THREE ROMANIAN LOAN REQUESTS TOTALLING \$168 MILLION. PRESENTATION TO EXECUTIVE DIRECTORS OF FIRST LOAN TENTATIVELY SCHEDULED FOR JUNE 11 OR 18. WE UNDERSTAND UK MAY OPPOSE ROMANIAN LOAN IN ABSENCE PROGRESS ON DEBT ARREARS. IBRD POLICY HAS BEEN TO REFRAIN FROM LENDING TO COUNTRIES WHICH HAVE NOT MADE REASONABLE EFFORT TO
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SETTLE DEBT ARREARS. USG HAS FOLLOWED SIMILAR POLICY.

WHILE OUR POSITION ON FIRST LOAN HAS NOT BEEN DEFINITELY FORMULATED, JUDGMENT AS TO WHETHER ROMANIANS SERIOUS ABOUT SETTLEMENT WITH BONDHOLDERS WILL BE A FACTOR IN OUR DECISION. IN ORDER TO APPRISE ROMANIANS OF RELATION BETWEEN PROGRESS ON BONDHOLDERS SETTLEMENT AND IBRD LOANS, EMBASSY REQUESTED TO APPROACH BITULEANU AT EARLIEST POSSIBLE OPPORTUNITY TO ENABLE ROMANIANS TO REPOND BEFORE LOAN IS PRESENTED TO BANK BOARD OF DIRECTORS.

3. FOLLOWING POINTS SHOULD BE MADE:

A) WE UNDERSTAND THE ROMANIANS ARE IN THE PROCESS OF NEGOTIATING SEVERAL LOANS IN IBRD TOTALLING A SUBSTANTIAL SUM.

B) POINT OUT THAT AT THE TIME THE ROMANIANS APPLIED FOR MEMBERSHIP IN THE WORLD BANK, THE US STATED TO ROMANIANS THAT "ROMANIA SHOULD NOT EXPECT TO BORROW FROM THE BANK UNTIL IT IS MAKING A REASONABLE EFFORT TO SETTLE DEFAULTED BOND INDEBTEDNESS."

C) POINT OUT WE URGENTLY NEED A REPLY TO STATE 087906. FYI. IN VIEW OF IMMINENCE OF PRESENTATION OF FIRST LOAN, WOODS PROPOSAL TO MEET BITULEANU OR OTHER ROMANIAN OFFICIAL IN LONDON MAY 20 WOULD BE PREFERABLE. END FYI.

D) WE WILL NEED EVIDENCE OF REASONABLE EFFORTS TOWARD SETTLEMENT OF US BONDED DEBT IF WE ARE TO BE ABLE TO SUPPORT A SERIES OF IBRD LOANS TO GOR.

E) EXPRESS HOPE THAT ROMANIANS WILL MOVE SOON ON THIS ISSUE AND ELIMINATE A POTENTIAL PROBLEM IN THEIR RELATIONSHIP WITH THE IBRD. RUSH

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## Message Attributes

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